CAPITAL MARKETS

Hotels

AUSTRALIA & NEW ZEALAND

Investment Review

2021

Introduction

2020 brought an abrupt halt to the bull run of transactions for the Australian hotel investment market with deal flow declining markedly through the mid part of the year as the global hotel and tourism market faced its most challenging period in history.

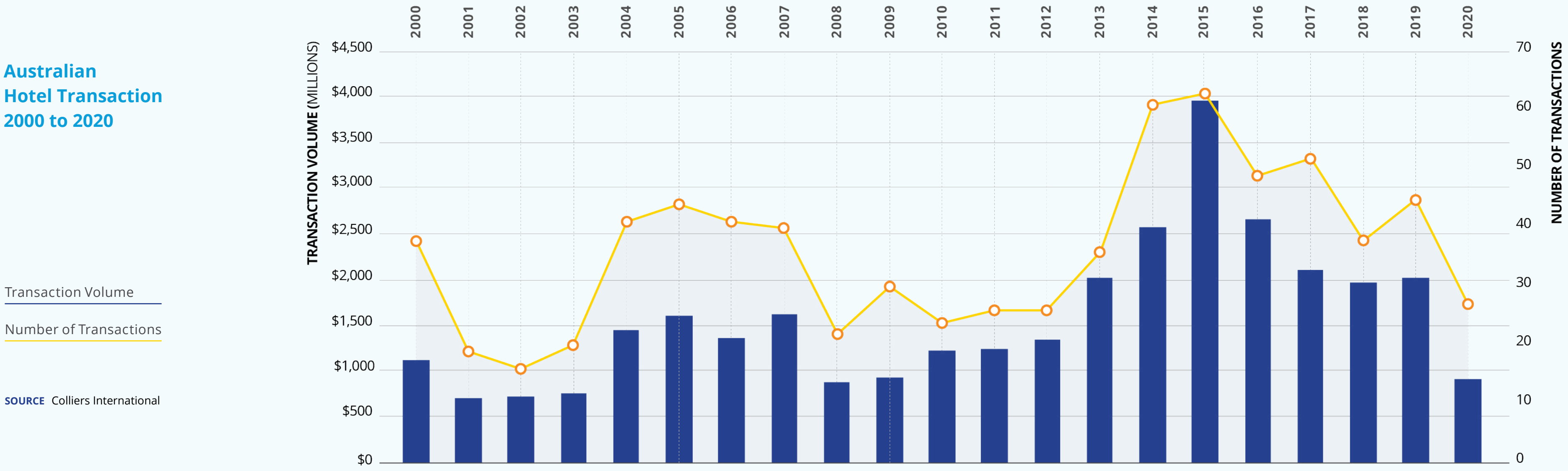
2020

Transaction volumes. **$921M**

Closed international and state borders brought great uncertainty about future trading which resulted in many investors adopting a 'wait and see approach' to investments. Deals which did occur took longer to complete with a higher level of scrutiny from financiers and Foreign Investment Review Board (FIRB). Notwithstanding, a quantum of transactions did occur during the second half the year which has led to greater price discovery in a post-COVID environment.

An uptick in activity during the last quarter of 2020 saw transaction volumes total just over $900 million for the year and with a number of larger deals still currently in play. Total annual transactions were well below the long-term average of $1.6 billion and the lowest annual transaction volume since 2008 at the peak of the Global Financial Crisis (GFC).

Australian Hotel Transaction 2000 to 2020



SOURCE Colliers International

Deal flow has primarily comprised smaller assets being acquired by private investors with only two transactions above $100 million. The average ticket size averaged $34 million, a decline of 25 per cent compared to 2019, whilst the average price per key declined 32 per cent to $225,828, reflecting the composition of deals throughout 2020.

2019

TRANSACTION VOLUME
$2.05B

AVERAGE TICKET SIZE
$45.5M

AVERAGE PRICE PER KEY
$334,529

TRANSACTIONS
45

2020

TRANSACTION VOLUME
-55.0%
$0.92B

AVERAGE TICKET SIZE
-25.1%
$34.1M

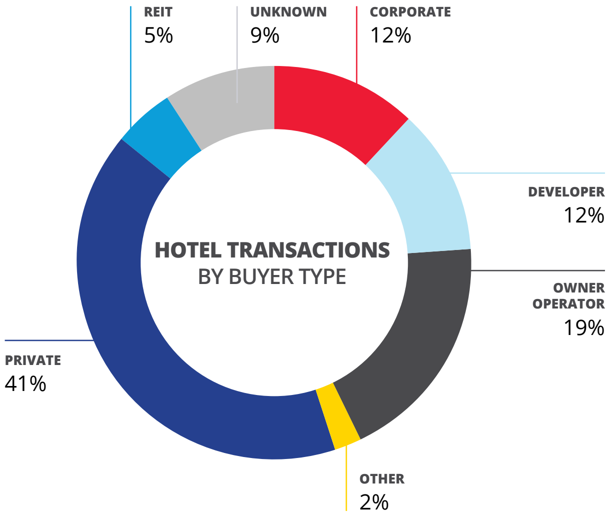
AVERAGE PRICE PER KEY
$225,828 -32.5%

TRANSACTIONS
27 -40%

Private investors have dominated both buy-side and sell-side activity. Developers were the second most active investor group on the sell-side as they have looked to dispose of newly developed hotels and recycle capital into new development projects. Conversely, hotel owner operators emerged as the second most active group on the buy-side, reflecting their ongoing confidence in the Australian hotel sector.

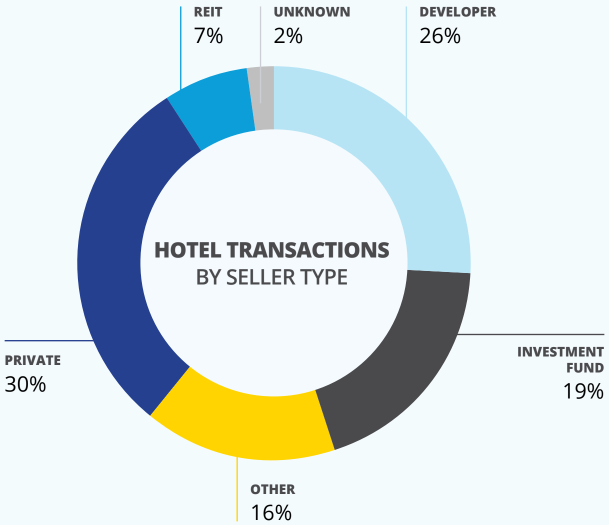
Sydney has been the most active investment market with nine deals including one site sale and more assets currently in play as purchasers look to capitalise on rare market opportunities within tightly held markets whilst taking a medium-term view. The accommodation market offers the ability to bounce back quickly, due to the daily dynamic pricing of room rates, once demand recovers.

Australian Hotel Transaction 2020 by Buyer Type



SOURCE Colliers International

Australian Hotel Transaction 2020 by Seller Type



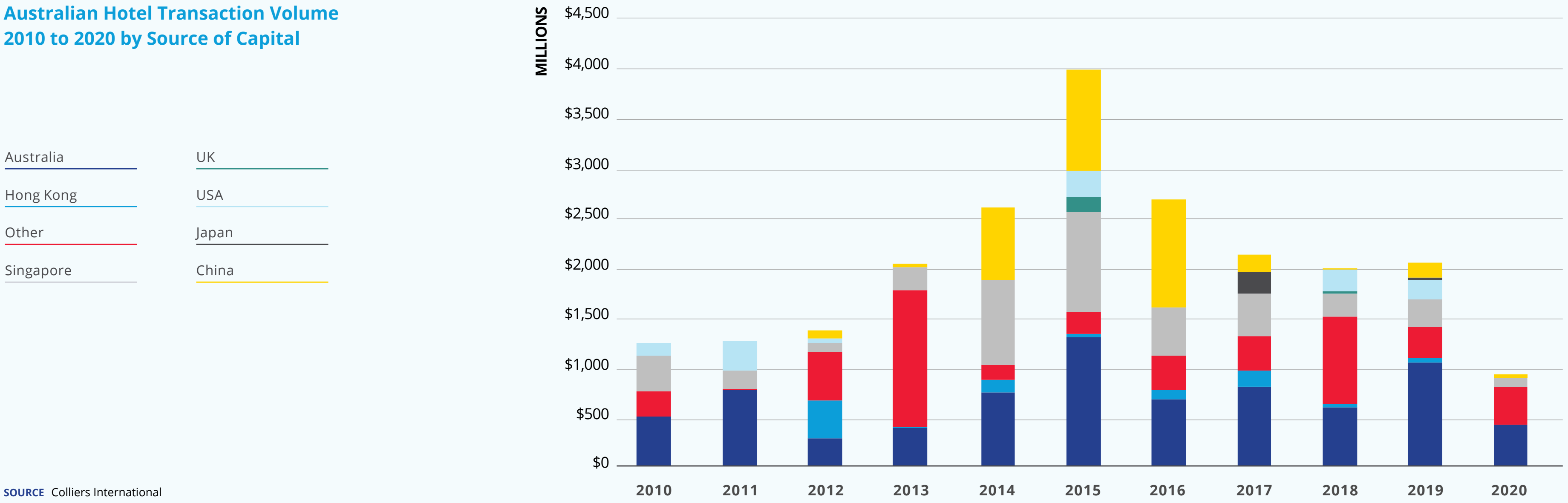
Whilst Asian counter cyclical buyers have typically stepped in during periods of crisis, the circumstances we experienced in 2020 provided a unique window for domestic investors and offshore groups with an established team on the ground. Domestic capital accounted for 45 per cent of deal flow in 2020 but with domestic players securing a greater quantum of rooms boosted by Iris Capital's acquisition of the Accor Invest portfolio of 17 freehold hotels with almost 1,800 rooms. Offshore investors still dominate the above $50 million market acquiring the top three highest value single assets throughout the year. Capital was sourced from Singapore, Middle East and China, as well Thailand and Taiwan.

The ongoing active role of foreign capital in Australia's hotel investment market will continue to be crucial to underpinning valuations over the near term. Offshore groups have accounted for over half of the capital invested over the last 20 years and are playing a more active role in the development of new accommodation stock. The closure of international borders is restricting business as normal with a reluctance by foreign investors to commit capital without undertaking a physical inspection. Throughout 2020 this was further compounded by the by the slowing of FIRB approvals with thresholds reduced to zero.

What has become clearer over the past few months is how the Australian hotel valuation community is treating the impacts of Covid-19 and their approach to valuations given the range of methodologies upon which they rely.

Valuations now place more emphasis on the 10-year discounted cashflow approach and likely rate of return an investor will require over this period, as well as the stabilised earnings or yield approach.

Australian Hotel Transaction Volume 2010 to 2020 by Source of Capital



SOURCE Colliers International

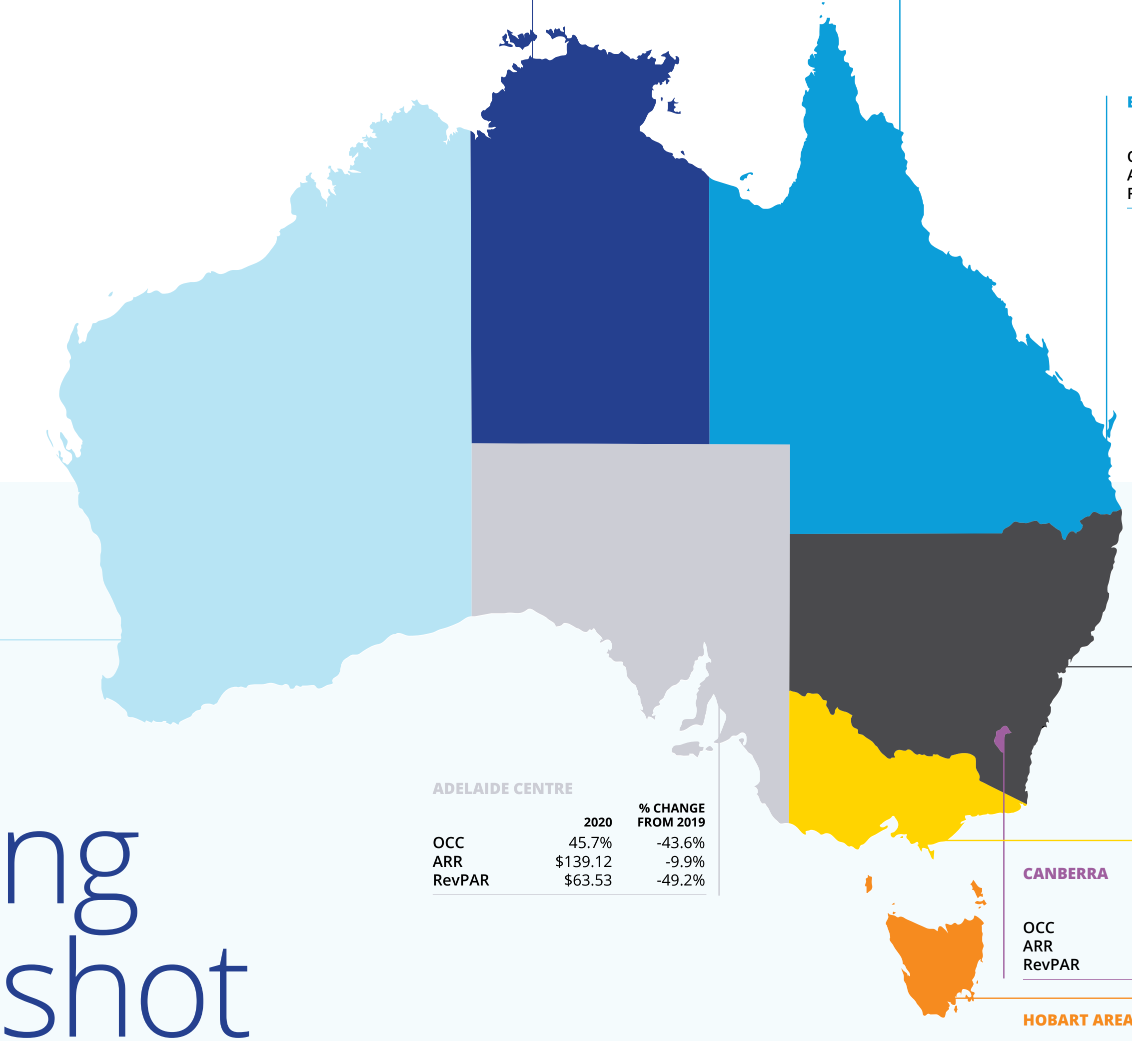
Trading Snapshot

NOTE

OCC – Occupancy,

ARR – Average Room Rate,

RevPAR – Revenue Per Available Room.



DARWIN AREA

	2020	% CHANGE FROM 2019
OCC	40.3%	-27.8%
ARR	$117.56	-19.5%
RevPAR	$47.40	-41.9%

CAIRNS AREA

	2020	% CHANGE FROM 2019
OCC	42.3%	-45.3%
ARR	$135.41	-8.5%
RevPAR	$57.34	-49.9%

BRISBANE CENTRE

	2020	% CHANGE FROM 2019
OCC	44.0%	-40%
ARR	$142.14	-10.9%
RevPAR	$62.52	-46.5%

GOLD COAST

	2020	% CHANGE FROM 2019
OCC	42.0%	-39.8%
ARR	$193.84	-1.6%
RevPAR	$81.42	-40.8%

SYDNEY CENTRE

	2020	% CHANGE FROM 2019
OCC	43%	-49.5%
ARR	$198.59	-21.3%
RevPAR	$85.49	-60.3%

MELBOURNE CENTRE

	2020	% CHANGE FROM 2019
OCC	41.2%	-51.2%
ARR	$163.95	-20.4%
RevPAR	$67.59	-61.2%

CANBERRA

	2020	% CHANGE FROM 2019
OCC	43.7%	-42.5%
ARR	$152.91	-10.1%
RevPAR	$66.85	-48.3%

HOBART AREA

	2020	% CHANGE FROM 2019
OCC	45.9%	-44.7%
ARR	$162.84	-11.5%
RevPAR	$74.70	-51.0%

PERTH CENTRE

	2020	% CHANGE FROM 2019
OCC	48.3%	-36.1%
ARR	$159.32	-6.5%
RevPAR	$76.93	-40.3%

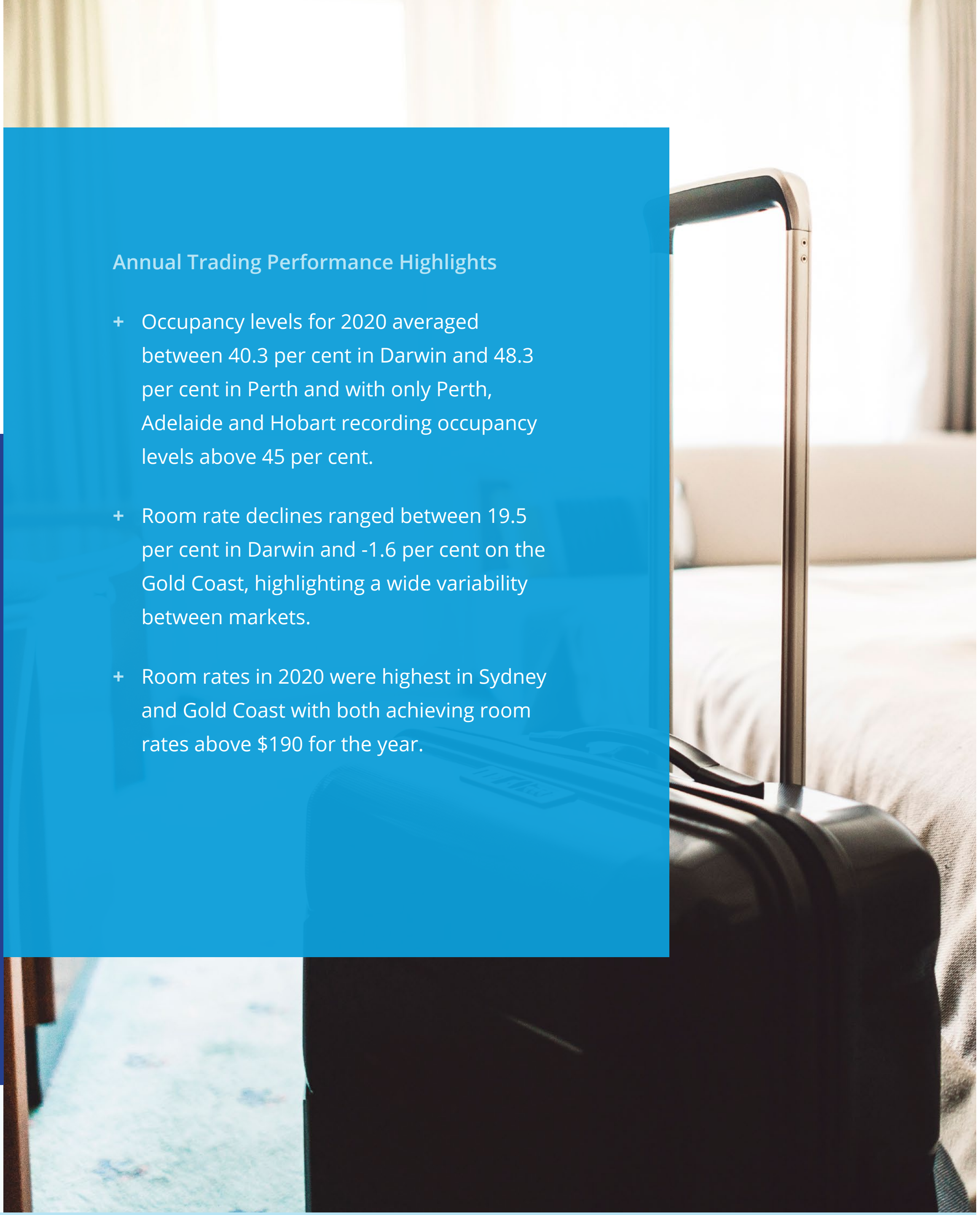
ADELAIDE CENTRE

	2020	% CHANGE FROM 2019
OCC	45.7%	-43.6%
ARR	$139.12	-9.9%
RevPAR	$63.53	-49.2%

SOURCE STR

2020 was undoubtedly a challenging year for the Australian hotel and tourism industry as travel restrictions rapidly unfolded as part of the global response to the health pandemic.

For Australia's hotel markets, this resulted in closed international borders since late March 2020 and closed interstate borders for most of the year. For city hotels, demand was largely limited to hotel quarantine and other government business, as well as low levels of domestic leisure demand. The regions fared better, particularly markets within driving distance of the major centres.



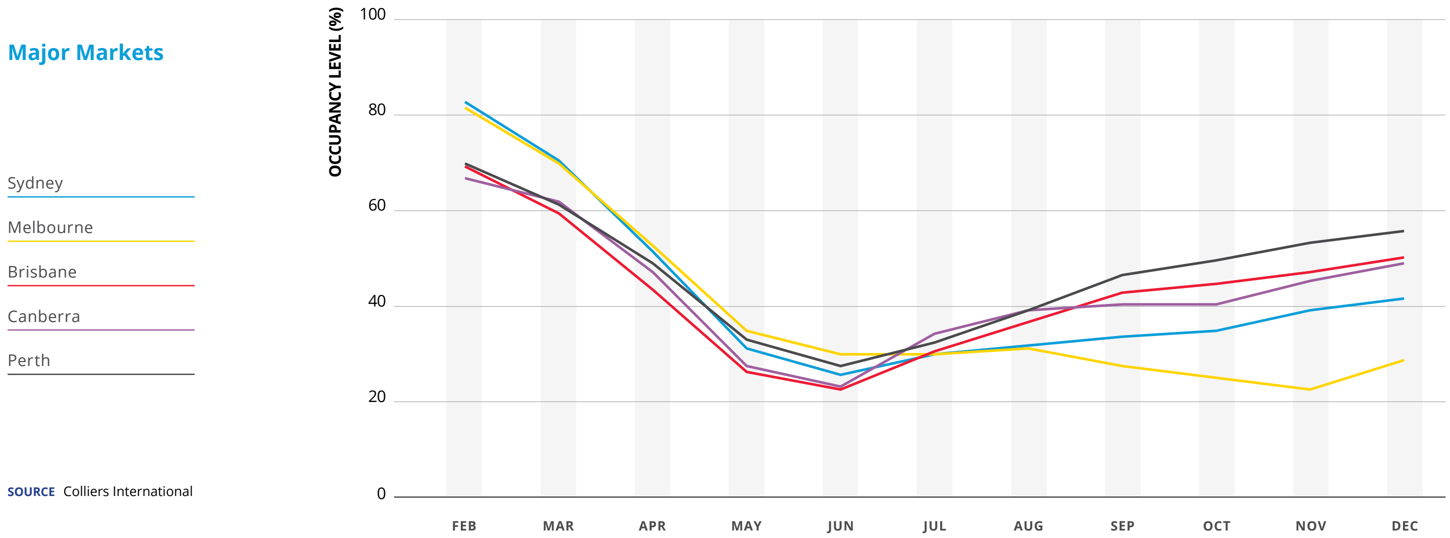
Annual Trading Performance Highlights

- Occupancy levels for 2020 averaged between 40.3 per cent in Darwin and 48.3 per cent in Perth and with only Perth, Adelaide and Hobart recording occupancy levels above 45 per cent.
- Room rate declines ranged between 19.5 per cent in Darwin and -1.6 per cent on the Gold Coast, highlighting a wide variability between markets.
- Room rates in 2020 were highest in Sydney and Gold Coast with both achieving room rates above $190 for the year.

Australian Hotel Markets - Quarterley Rolling Average Occupancy as at December 2020

2020 accommodation performance trends highlight how Australians will travel when able. The accelerated roll out of the vaccine should give Australians greater confidence to explore through 2021 as pent-up demand unwinds.

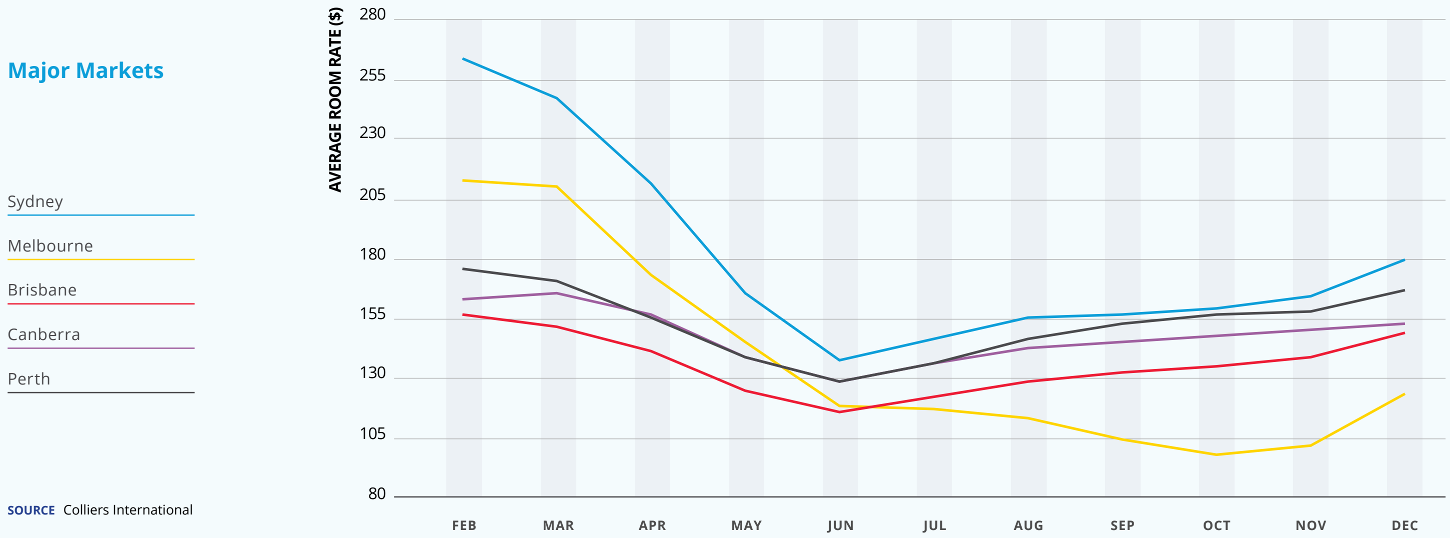
Major Markets



SOURCE Colliers International

Australian Hotel Markets - Quarterley Rolling Average Room Rate (ARR) as at December 2020

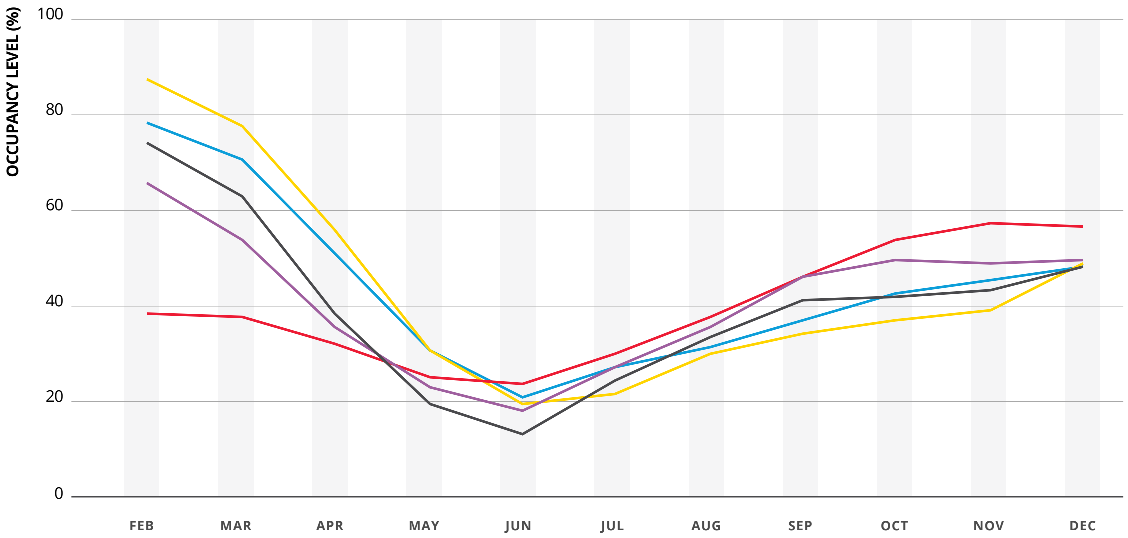
Major Markets



SOURCE Colliers International

Australian Hotel Markets - Quarterley Rolling Average Occupancy as at December 2020

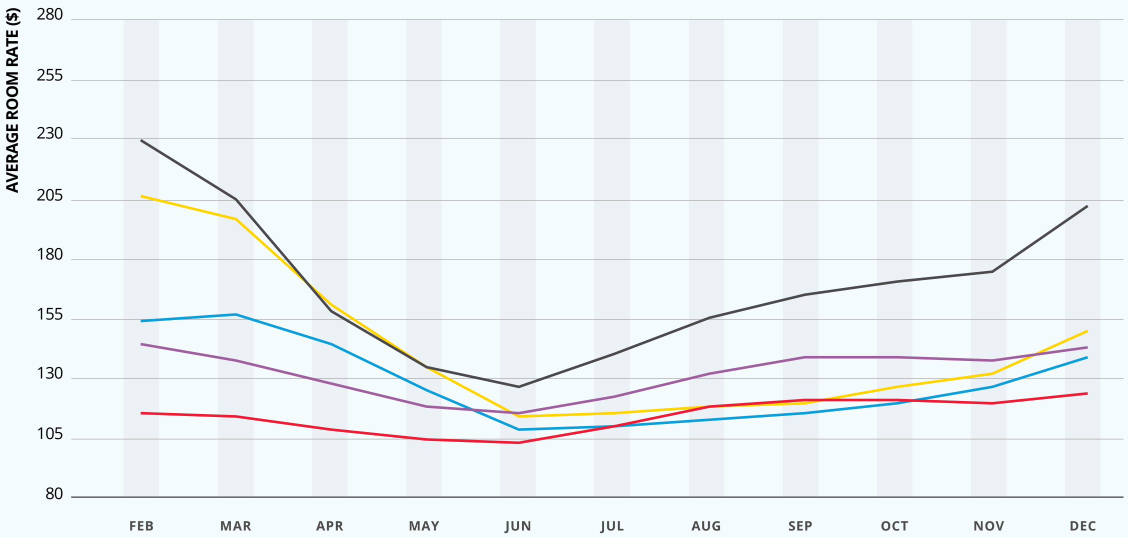
Secondary Markets



SOURCE Colliers International

Australian Hotel Markets - Quarterley Rolling Average Room Rate (ARR) as at December 2020

Secondary Markets



SOURCE Colliers International

There was a surge of optimism across Australia through the fourth quarter of 2020 with the containment of the second wave of the virus in Victoria and growing anticipation that a vaccine would be widely available through 2021.

The Australian economy was growing again, swelling by 3.3 per cent in the three months to the end of September, underpinned by a surge in a consumer spending. This drove the highest quarterly jump in activity since the March quarter of 1976 and followed the easing of social distancing measures across the country.

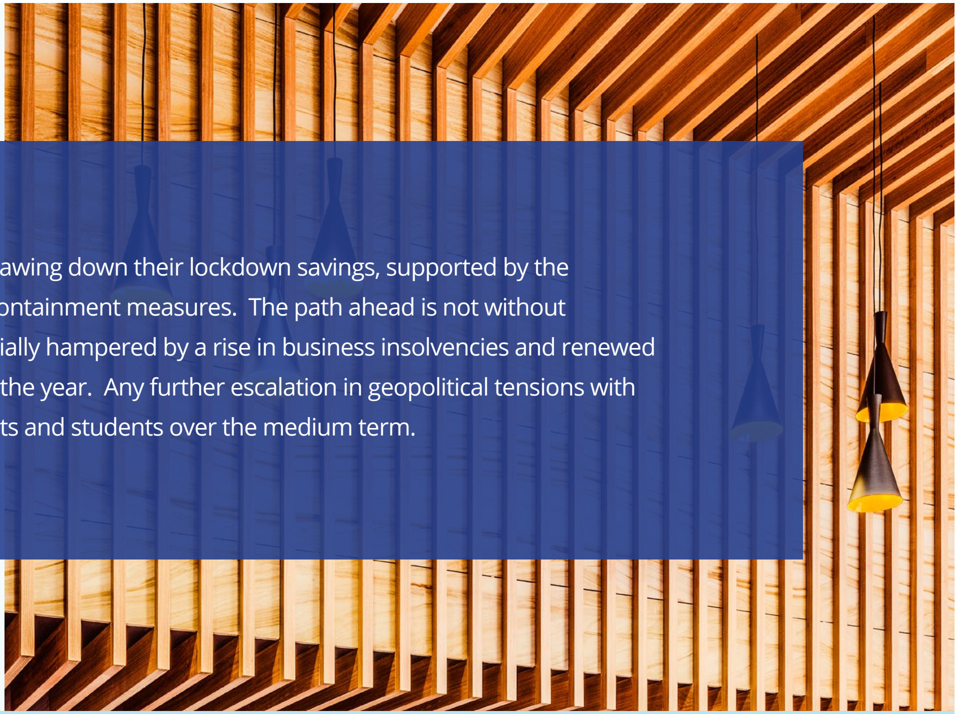
This optimism cooled in December with small but localised outbreaks in NSW, VIC and to a lesser extent QLD ahead of the peak holiday season, bringing disappointment once again on Australian holidaymakers and the hotel community.

Macroeconomic Outlook

At the macro level, record government spending and central bank stimulus into a rapidly reopening economy have triggered upgrades to Australia's growth outlook. The ASX 200 Index closed at 6,587 points at the end of 2020, only 1.5 per cent lower than at the start of 2020, buoyed by good news on COVID-19 vaccines and the economic recovery.

Demand Outlook

Consumption in 2021 will continue to be supported by households gradually drawing down their lockdown savings, supported by the reduction in the official cash rate to just 0.1 per cent and the further easing of containment measures. The path ahead is not without challenges however, with recovery in business and consumer sentiment potentially hampered by a rise in business insolvencies and renewed labour market weakness as policy support is scaled back during the first half of the year. Any further escalation in geopolitical tensions with China may also undermine export growth and the return of international tourists and students over the medium term.



On the whole revenue performance is expected to be somewhat better in 2021 than it was in 2020. The key assumption being that 2020 had three strong months of trade at the start of the year and nine poor months of trade. Conversely 2021 is expected to build slowly with demand improving in the latter part of the year as the vaccine rollout program takes hold.

Domestic leisure will drive the recovery

Broadly it is anticipated that the leisure segment will be the driver of the recovery but with room night production still only a fraction of what it was in 2019. In part this reflects the lack of international leisure demand particularly through the shoulder periods and the dampening effect that the unwinding of government stimulus and support mechanisms may have on consumer spending. Notwithstanding domestic leisure still presents as a bright light when compared to other segments and hotels will need to pivot their offerings to compete with disruptors and meet the needs of this leading segment.

Corporate demand expected to build in second half of 2021

Expectations for corporate recovering is the most uncertain sergment for CBD hotels with room night production expected to average just half of the level recorded in 2019. Historically, domestic corporate demand accounted for around 65 per cent of room nights spent in Australian hotels, providing a steady and consistent base upon which hoteliers could build.

Corporate demand halted as employees were ordered to work from home and closed borders restricted travel between states and territories. Research by the Property Council of Australia (PCA) released in October 2020 highlighted how Australia's capital cities are gradually picking up the pace with Australians returning to their CBD offices in greater numbers. All CBD markets except Melbourne saw increases in office occupancy during October with Perth, Canberra and Brisbane recording the largest increases compared to the previous month, as well as an encouraging increase in Sydney. The survey also found an increase in the number of office building owners and managers who expected more people to return to their offices within the next 1-2 months. Notwithstanding this return to work, corporate travel is not expected to increase markedly until later in 2021.

Office occupancy levels - PCA survey results

CBD	October 2020	September 2020
Adelaide	73%	67%
Brisbane	61%	52%
Canberra	63%	46%
Darwin	73%	70%
Hobart	79%	78%
Melbourne	7%	8%
Perth	77%	63%
Sydney	40%	35%

NOTE Survey results are based on responses from 102 Property Council members who collectively own or manage the majority of CBD office buildings.

MICE and Group demand will be slow to return

MICE and Group business are anticipated to build throughout the year but still only representing a fraction of the level recorded in 2019. Gatherings in terms of weddings, conferences, incentives, conventions etc have been impacted with the social distancing rules in 2020 but are likely to come back as restrictions ease and pent up demand builds.

Whilst the expansion of Australia's accommodation market looked set to continue for some years to come, COVID-19 has brought an abrupt halt to the expansionary phase of the hotel market cycle.

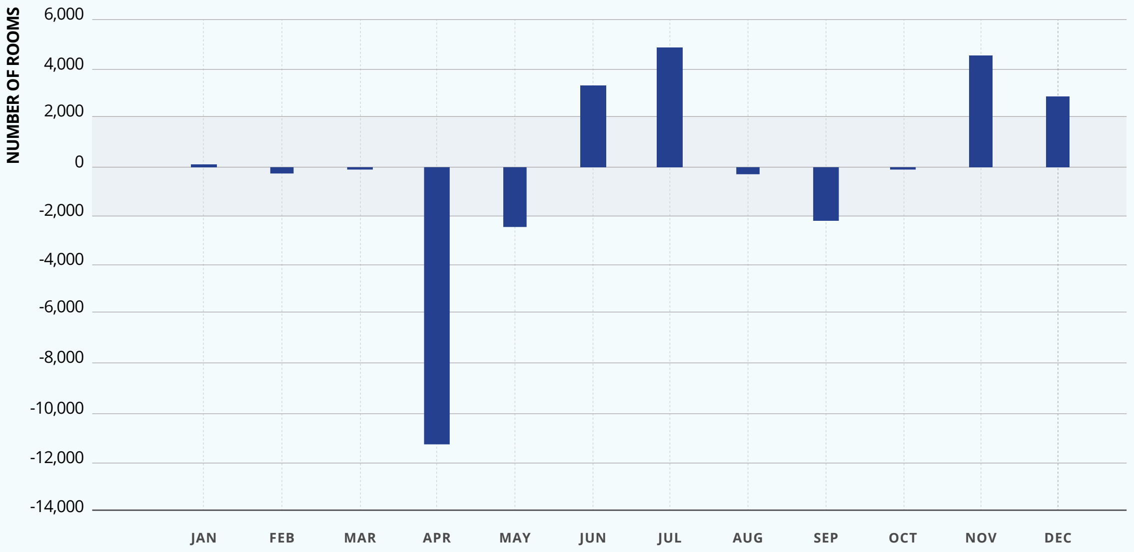
Interruptions to global supply chains, lockdowns, closed international and state borders, the introduction of social distancing on construction sites and capital inertia have all impacted the delivery of new accommodation rooms. Some owners have made the difficult decision to close hotels or delay opening during this period of low room night demand. Combined, these factors have caused a fundamental shift in Australia's accommodation supply base.

Closed hotels have mostly reopened

According to data from STR, there were approximately 120,000 accommodation rooms in the ten major markets of Australia at the end of December 2019. By April 2020, 11,300 (-9.3%) of these rooms were reported to have closed. On the whole closed hotel rooms were quick to reopen as city hotels modified operations to meet nascent demand and plans were put in place to accommodate returning travellers from overseas through government-mandated quarantine programmes. Others offered longer stay rentals or work-from-home solutions as more traditional sources of demand contracted markedly. Notwithstanding, some city hotels still remained closed at the end of 2020 and it is unclear if they will reopen. This diversification of demand is expected to continue through 2021.

Accommodation Supply

Australia's Major Accommodation Markets - Monthly Change in Room Supply 2020



SOURCE STR, Colliers International

Whilst many owners chose to delay the opening of new hotels, other projects did proceed to open with approximately 4,000 new rooms through 2020.

Near-term supply peak

2021 now presents as the peak of the supply cycle with 5,938 rooms anticipated to open across the ten major accommodation markets throughout the year, 63 per cent of these are due to open during the next six months whilst demand remains limited.

Adelaide, Brisbane, Canberra, Gold Coast, Hobart, Perth and Sydney will each see a quantum of new rooms, though Melbourne tops the list with 1,722 new rooms due to open in the CBD and a further 711 rooms across the wider metropolitan. New openings are expected to moderate through the mid-part of 2021 before increasing up again at the end of the year, particularly in Sydney and Melbourne.

Hotels will need to be nimble to move with changes in demand and spending. Whilst the permanent reopening of state borders would be very welcome news for Australians and hotels seeking to attract the domestic leisure segment, corporate travel is not expected to return in any meaningful way until the latter part of 2021.

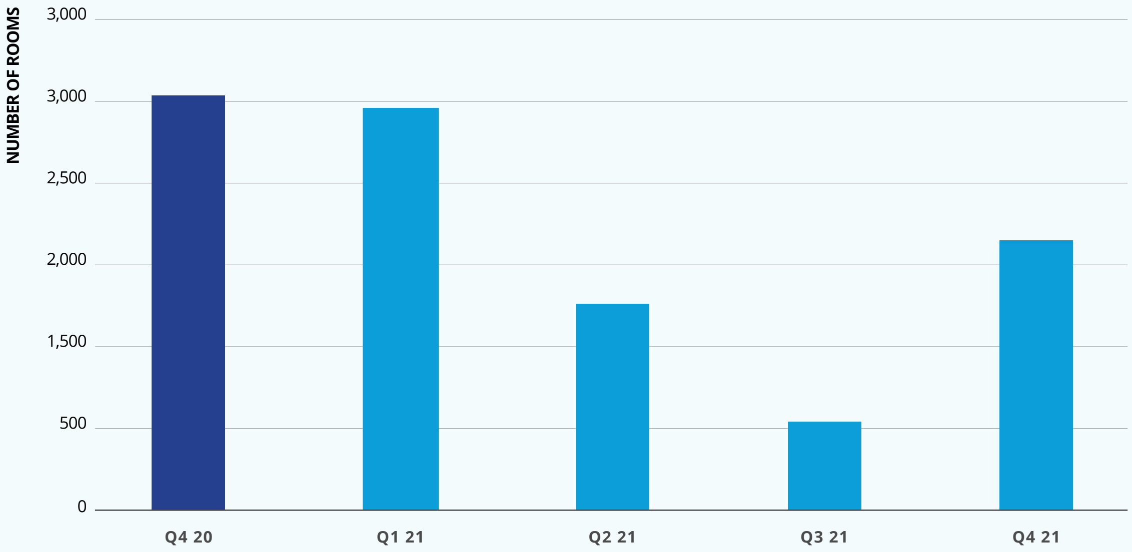
Closed international borders will also continue to limit the inflow of international leisure guests. New luxury hotels – whilst often smaller than their lower tier counterparts – will therefore need to modify their offering to attract domestic leisure travellers and families, whilst demand from other segments remains low.

Australia's Major Accommodation Markets – Quarterly Additions to Supply through 2021

Open

Construction

SOURCE Colliers International



Shrinking shadow supply

Fundamental shifts in the tourism market have also had a material impact on Australia's shadow supply. Short Term Rental Accommodation (STRA) has been prevalent in Australia for an extended period but the introduction of new players a decade ago brought STRA into the cities and resulted in very strong growth in active listings being offered on online platforms.

Whilst the supply of STRA in Australian cities had started to wane over the past couple of years, COVID-19 has brought a dramatic reduction in the number of active listings with 15,768 fewer active listings now in the major centres when compared to the start of the year. This represents a decline of 55 per cent with the most significant reductions being in the city fringe at 55 per cent.

Sydney and Melbourne account for the lion's share of reduced listings with 6,715 and 5,382 fewer active listings respectively in the CBD than when compared to the start of the year. Much of this STRA stock has moved to the long stay rental market which can offer a greater certainty of income whilst representing a discount to pre-COVID nightly STRA room rates.

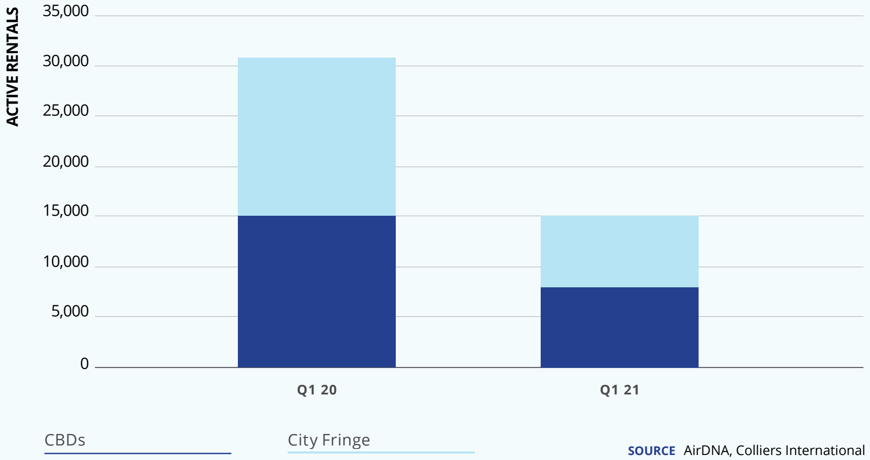
Tightening credit by the major banks for property investors who rely on these platforms also has the potential to result in a more permanent shift as banks take a more cautious approach to STRA and the tourism sector more generally.

How much of this supply will return to the market remains to be seen but with tourism demand expected to remain below historical levels for some time to come, owners are likely to choose or be forced to choose alternative sources of rental income.

New legislation in NSW is also changing the legislative landscape, potentially setting a precedent that other states and territories will follow. The STRA Code of Conduct commenced in December 2020 and will be followed by a Government-run premises register to commence in mid-2021 alongside new planning instruments, being developed by Department of Planning, Industry and Environment (DPIE).

The code also establishes an exclusion register where guests, hosts or hosts' premises will be listed if two strikes are recorded against them in two years. It is intended that the exclusion register will be linked with the premises register once the latter register has been developed by DPIE. The register of premises will provide a vital foundation for contact tracing and tracking pre and post stay once the international borders reopen and tourism travel starts to flow.

Australia's Major Accommodation Markets - Change in Short Term Rental Accommodation (STRA) Active Rentals 2020



SOURCE AirDNA, Colliers International

Case Study

Radisson Hotel & Suites,
72 Liverpool Street, Sydney NSW.

Following a long history with our client, Ausbao, a subsidiary of Beijing Capital Land, Colliers International took the Radisson hotel to market in late March 2020, just as the Covid-19 pandemic was beginning.

This was a mixed-use residential, hotel and retail tower that was built in the late 1990's by Ausbao. We were asked to sell the remaining 76 serviced apartments which they owned in one-line, along with the leasehold interest in a further 24 individually owned apartments.

Despite the challenges of the pandemic, the difficulty of conducting inspections and the fact that the hotel had been closed down, the combined efforts of the Colliers International Hotel team and Asian Capital markets team delivered outstanding exposure, with more than 330 inquiries and nearly 50 groups signing Confidentiality Agreements.

At the close of the Expression of Interest, we received twelve bids from a wide variety of groups, including Asian family office, domestic and offshore Co-living groups, owner-operators and local funds management groups.

At the time of writing, this property is in exclusive due diligence with a new market entrant seeking to expand his offshore hotel portfolio into Australia.

Sold
during COVID-19

Tailored
Asian marketing campaign

New
New entrant into Australia

Case Study

Capitol Square Hotel,
730 George Street, Haymarket NSW.

Off the back of our successful Radisson on-market campaign, we encouraged the owners of the Capitol Square to test the investor market via an off-market campaign that targeted the frustrated Radisson under- bidders.

Using the same team combination of Hotels and Asian Capital Markets, Colliers International canvassed the investor market, highlighting to buyers the revitalisation of the precinct through the upcoming Central Station Masterplan development, which will transform the southern fringe of the Sydney CBD.

We worked with PTW Architects to prepare concept drawings of what may be permissible on the site and worked closely with our Colliers International Hong Kong office to ensure this option was fully canvassed throughout the Hong Kong investment community.

We received eight bids with a mix of student accommodation groups, co-living and hotel owner-operators.

The property was ultimately sold to the Malaysian Family Office group, MKH, who had been looking for a hotel investment opportunity in the Haymarket precinct. The purchase price of $26 million represented only a 7% discount to the pre-Covid valuation done in February 2020.

Sold
during COVID-19

Collaboration
with Colliers International onshore Asia Markets Team and Colliers International Hong Kong

Tested
the market with previous campaign underbidders

Sold
with minimal discount to pre Covid valuation

The COVID-19 health pandemic has caused unprecedented disruption to the global hotel and tourism industry and it is clear that we are in uncharted territory when it comes to mapping a post-pandemic recovery.

Hotel owners have been some of the hardest hit financially with all global destinations imposing restrictions on travel through 2020, including complete bans on all travel as they work to contain the health pandemic. The impacts of the crisis had a direct financial impact on hotel owners who typically only hold six months of cash reserves.

Whilst narrowing, a gap between buyer and seller pricing expectations still exists as owners have been able to hold on due to the forbearance by the banks and government financial supports. March looms as a critical deadline with most supports due to expire and the outlook for recovery appears slower than previously anticipated. The impact of a marred peak holiday season - when most Australian corporates were mandated to take extended leave - is likely to weigh on the recovery of the sector. As a result, owners may need to start trading out before the second half of the year, when there is expected to be considerably more stock in the market.

Outlook 2021

While banks will be watching the sector carefully, there is little evidence to date that they will seek to step-in to control the assets. Instead they are likely to encourage an orderly sale of the property. As such, we do not envisage the deep discounts that the buy-side investors had initially expected.

Liquidity conditions are expected to gradually improve through 2021 underpinned by record-low interest rates and accommodative central bank policy and with a weight of global capital looking to invest. Whilst we foresee obvious challenges as we move into 2021, Australia's management of the health crisis and size of the domestic tourism market will result in bringing opportunities for offshore medium to long term investors with an availability of stock past a development phase. Sophisticated investors are also likely to be better positioned to secure more favourable terms on their debt facilities but only once there is a clear signal that market conditions have stabilised.

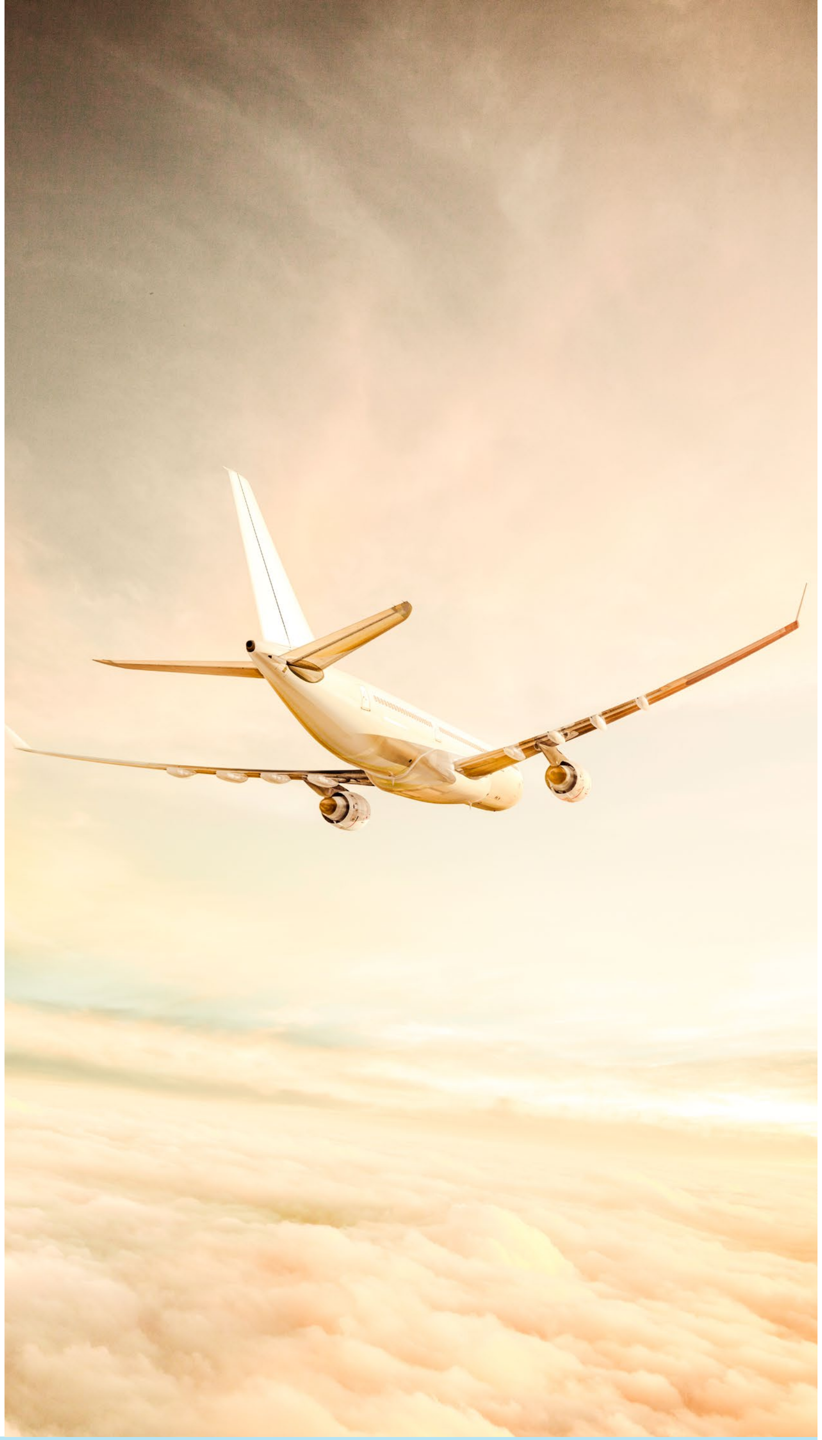
As a further positive, return to pre Covid thresholds for FIRB approval will deliver greater certainty and streamlined transaction timeframes which will be critical for foreign investors, who are viewing Australia as a favourable investment market, given the successful manner in which we have handled the pandemic.

On the whole revenue performance is expected to be somewhat better in 2021 than it was in 2020. The key assumption being that 2020 had three strong months of trade at the start of the year and nine poor months of trade. Conversely 2021 is expected to build slowly but will not exhibit the v-shaped recovery that many had hoped for, though greater optimism following the vaccine rollout should drive improved corporate and leisure traveller demand.

Operators will need to critically examine the likely sources of demand and build strategies to target these most active segments and buyer groups. Corporate travel is expected to build slowly throughout the year and will likely dictate city hotel performance for the year. Banking and finance professionals may be some of the last corporates to return to CBD offices and resume pre-COVID travel patterns with globally mandated policies prohibiting them from doing so. Smaller SMEs may therefore prove more lucrative in the near term. Understanding local office market dynamics will be critical to achieving superior revenue performance in 2021.

With room night demand expected to come back in layers, operators will need to dig deep into their tool kit to build occupancy whilst revenue managers ensure rate integrity holds across the various hotel chain scales. History shows that Australian hotel markets have exhibited greater price elasticity of demand, particularly when faced with additional competition from increasing accommodation supply. 2021 now presents as the peak of the supply cycle with more than 7,000 rooms anticipated to open across the ten major accommodation markets, two thirds of these will open during the next six months whilst demand remains limited.

Flexibility in the cost base will ultimately determine profit levels in 2021, particularly as supplier relief unwinds. Many of the traditionally fixed expense components will become more flexible as hotel operators and owners adjust to the "new normal" and learn, by necessity as a result of COVID-19, to operate more efficiently, with certain fixed expenses morphing into variable expenses to aid the bottom line and with other costs unlikely to return.



The Covid-19 pandemic is continuing to have a significant impact on the New Zealand tourism industry, with the hotel sector experiencing a challenging year in 2020 which included a nationwide lockdown from late March to mid-May and a second partial lockdown to the Auckland region in August, which also impacted the wider market.

However, for the remainder of the year, with our borders remaining closed, domestic tourism flourished and we have witnessed some real resilience in the New Zealand hotel sector due to a range of key factors including;

NZ Overview

Mandatory Isolation Hotels

We have witnessed a significant number of returning New Zealand citizens and residents throughout 2020, all of whom are subject to a mandatory 14-day isolation period in a government approved hotel facility. This has acted as a robust demand driver for a number of hotels across the country, with 32 hotels accounting for approximately 6,500 rooms currently being utilised for this purpose. This represents over 30% of the total hotel inventory in the main centres of the country. We anticipate this demand will continue throughout 2021.

Domestic Leisure

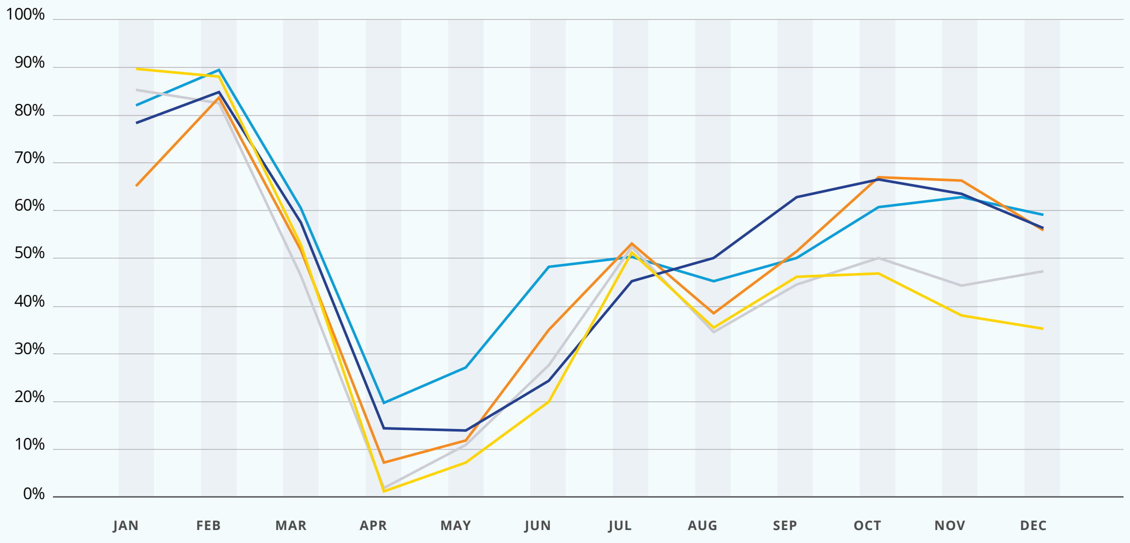
We have witnessed a sound domestic leisure demand, particularly over weekend and holiday periods. With New Zealand's borders closed and outbound travel restricted, this welcomed pent up demand from the domestic market is helping offset some of the international demand in many regions of the country with domestic monthly room nights occupied in many cases between 10% to 40% above the equivalent periods in 2019.

Corporate, MICE & Special Events

Other demand drivers include the Government allowing for an increasing number of special exemption visas for essential workers, sporting teams and other participants in our key economic sectors. This includes the Avatar II production crew and America's Cup syndicates as two examples. We are also seeing the re-emergence of Corporate & MICE business throughout the country as mass gatherings have been reinstated throughout most of the country.

Nevertheless, the impact of Covid-19 saw New Zealand hotel occupancy rates decline significantly in 2020, with all key regions recording historic lows not witnessed since performance records commenced. Fortunately, subsequent to the lifting of domestic travel restrictions in early June, occupancy levels exhibited a strong rebound with all markets except Rotorua and Queenstown recording occupancy levels above or close to 50% for the YE 2020. This is an exceptional result particularly given the absence of any international demand since March 2020.

New Zealand Hotel Markets – Monthly Occupancy to December 2020



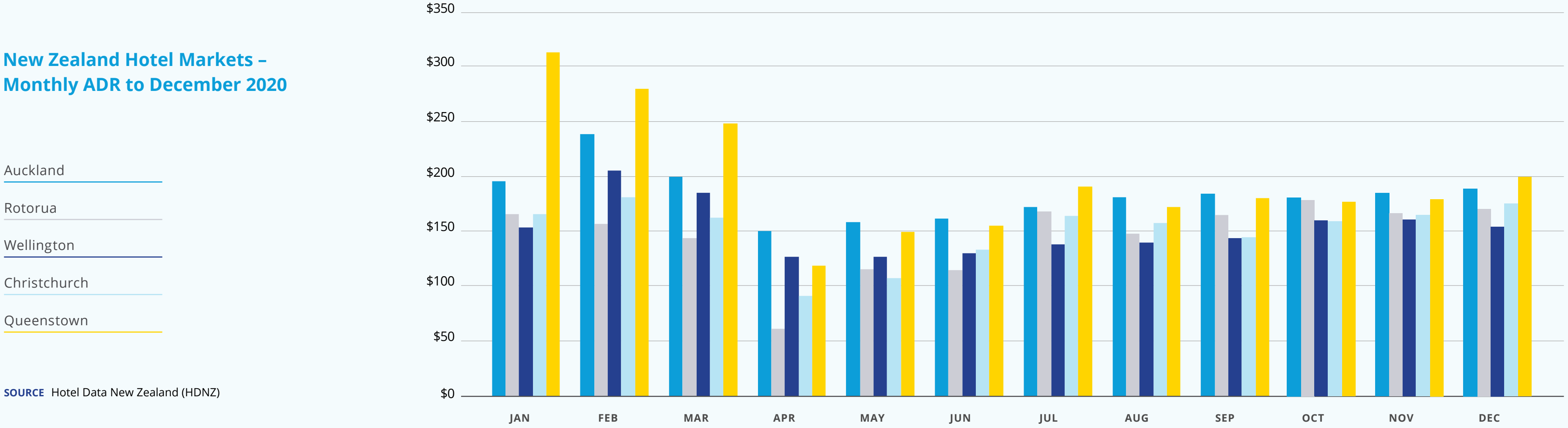
SOURCE Hotel Data New Zealand (HDNZ)

Conversely, hotel room rates have shown real resilience during 2020, again primarily due to the presence of government contracted business across a large tranche of hotels throughout many of the main regions in the Country. Stronger ADR patterns have also been evident during the weekends and school holiday periods. As such, those regions with a number of mandatory isolation facilities have generally achieved room rates on par with that of 2019, with the exception of Rotorua which exhibited growth of circa 13%.

Despite challenging market conditions, we saw two significant hotels settle in 2020 being the 203 room Holiday Inn Rotorua (February 2020) and the 168 key Adina Apartment Hotel Auckland Britomart (April 2020) noting both were pre Covid negotiated transactions. More recently, we have also seen contracts exchange for the 65 room Discovery Lodge Queenstown and 82 room Sofitel Queenstown together with the 54 room former Heritage Hamner Springs Hotel; all of which are expected to settle in 2021.

Despite this welcomed activity, transactional volumes remain well below those levels achieved in 2019 with owners electing to trade through this challenging period on the back of a range of Government initiatives including employee wage subsidies, mandatory isolation contracts and special loans. In addition, the cost of capital/debt is at historically low levels and many of New Zealand's hotel owners are well capitalised with long term investment mandates.

New Zealand Hotel Markets – Monthly ADR to December 2020



SOURCE Hotel Data New Zealand (HDNZ)

NZ Hotel Performance **2020**

Occupancy

	YE 2019	YE 2020
Auckland	82.2%	54.3%
Rotorua	79.1%	43.3%
Wellington	78.3%	48.8%
Christchurch	76.2%	51.4%
Queenstown	82.2%	42.3%

ADR

	YE 2019	YE 2020
Auckland	$196.19	$189.11
Rotorua	$140.74	$158.65
Wellington	$181.94	$159.43
Christchurch	$159.84	$160.41
Queenstown	$252.32	$225.85

RevPAR

	YE 2019	YE 2020
Auckland	$161.36	$102.67
Rotorua	$111.33	$68.70
Wellington	$142.52	$77.84
Christchurch	$121.82	$82.45
Queenstown	$207.44	$95.51

Summary

Despite the many challenges the wider hotel industry is facing with Covid-19, there remains robust demand from a range of investors seeking prime strategic accommodation assets in the key tourism regions of New Zealand. Hotel investors have long-term investment objectives in the knowledge there are always cycles in the market. Furthermore, investment yields for hotels have not firmed like many other asset classes in recent times, despite the OCR, 10-year Government bonds and the wider cost of capital falling by over 150 basis points in the past 12 months. This increased yield spread continues to make hospitality assets a compelling medium/long term strategy for many investors. However, if investors wish to secure prime strategic real estate, they will need to meet the expectations of the vendors regardless of where we are in the cycle.

Discovery Lodge Queenstown (November 2020)

In late November 2020, contracts were exchanged in what is believed to be the first major short stay accommodation transaction in New Zealand in 2020, with the sale of the 65-room (384 bed) Discovery Lodge in Queenstown, which was sold to New Zealand's largest private hotel investor Pandey Hotel Corporation, part of the CP Group.

Located on Shotover Street in the heart of Queenstown, the Discovery Lodge is only one of a handful of freehold accommodation assets in the town centre. Such strategic core assets are rarely traded with the last major accommodation asset sale in the town centre being the Novotel Gardens back in October 2015. Although the sale price remains confidential between the parties, it is believed no material discount was paid due to current market conditions.

Sofitel Queenstown (December 2020)

The five-star Sofitel Queenstown Hotel & Spa is New Zealand's most significant hotel transaction of 2020. The hotel will join the wider $300+ million hotel portfolio established by the Russell & Lockwood Property Groups in partnership with the New Zealand Superannuation Fund.

The hotel is located on a strategic parcel of leasehold land in the heart of Queenstown and comprises 82 guest rooms with a multitude of retail/ commercial units. Originally developed in 2005, the hotel was subsequently sold down as a multi-title development to a range of local and offshore investors. The multi-ownership structure makes this transaction one of the first collective hotel deals in New Zealand, as well as being the largest transaction in Queenstown (circa NZ$ 60 million) since the Novotel Queenstown Lakeside was exchanged in 2015.

Transactions 2020

QUEST MACQUARIE PARK

Suburb	Macquarie Park
State	NSW
Sale Date	Jan-20
Rooms	111
Price	$46,000,000
$ Per Room	$414,414

THE KINGS HOTEL SYDNEY

Suburb	Darlinghurst
State	NSW
Sale Date	Jan-20
Rooms	16
Price	$6,500,000
$ Per Room	$406,250

MERCURE GERRINGONG

Suburb	Kiama
State	NSW
Sale Date	Jan-20
Rooms	52
Price	$8,000,000
$ Per Room	$153,846

CRAIGS ROYAL HOTEL

Suburb	Ballarat
State	VIC
Sale Date	Feb-20
Rooms	37
Price	$12,000,000
$ Per Room	$324,324

Transactions 2020 Calendar Year

HOTEL VICTOR

Suburb
Victor Harbour

State
SA

Sale Date
Feb-20

Rooms
33

Price
$9,300,000

$ Per Room
n.a
(as includes gaming)

DEVONPORT WATERFRONT HOTEL

Suburb
Devonport

State
TAS

Sale Date
Mar-20

Rooms
187

Price
$40,000,000*

$ Per Room
$213,904

* Forward funding

METRO RESIDENCES DARLING HARBOUR

Suburb
Sydney

State
NSW

Sale Date
Mar-20

Rooms
60

Price
$28,700,000

$ Per Room
$478,333

ELIZABETH STREET PIER

Suburb
Hobart

State
TAS

Sale Date
Mar-20

Rooms
56

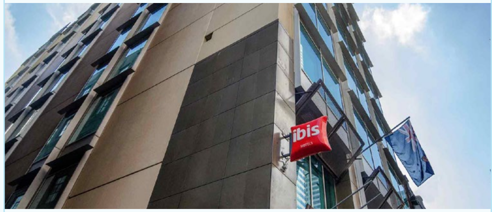
Price
$25,100,000*

$ Per Room
$448,214

* Hotel component

IBIS LITTLE BOURKE STREET

(RE-BRANDED THE MELBOURNE HOTEL CBD)



Suburb
Melbourne

State
VIC

Sale Date
Apr-20

Rooms
56

Price
$7,600,000

$ Per Room
$135,714

GEELONG CONFERENCE CENTRE

Suburb
Geelong

State
VIC

Sale Date
Apr-20

Rooms
46

Price
$6,400,000

$ Per Room
$139,130

JOLLY SWAGMAN BACKPACKERS SYDNEY

Suburb
Sydney

State
NSW

Sale Date
Jun-20

Rooms
47

Price
$7,850,000

$ Per Room
$167,021

VIBE HOTEL MELBOURNE

Suburb
Melbourne

State
VIC

Sale Date
Jul-20

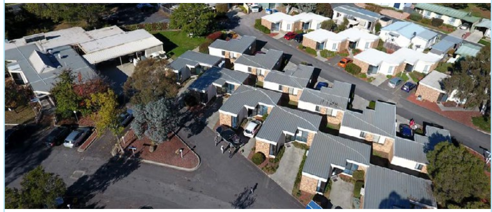
Rooms
206

Price
$108,000,000

$ Per Room
$524,272

Transactions 2020 Calendar Year

SUNDOWN MOTEL



Suburb
Canberra

State
ACT

Sale Date
Jul-20

Rooms
100

Price
$20,000,000

$ Per Room
$200,000

WOOLBROKERS ARMS HOTEL

Suburb
Sydney

State
NSW

Sale Date
Jul-20

Rooms
27

Price
$10,450,000

$ Per Room
$387,037

375-377 PUNT ROAD

Suburb
Melbourne

State
VIC

Sale Date
Jul-20

Rooms
61

Price
$11,000,000

$ Per Room
n.a
(as bought for development site)

THE BOWER BYRON BAY

Suburb
Byron Bay

State
NSW

Sale Date
Aug-20

Rooms
28

Price
$18,000,000

$ Per Room
$642,857

2 SUNNYSIDE ROAD MOUNT ELIZA

Suburb
Mount Eliza

State
VIC

Sale Date
Aug-20

Rooms
20

Price
$40,000,000

$ Per Room
n.a
(as bought for redevelopment)

MAGNOLIA COURT BOUTIQUE HOTEL

Suburb
East Melbourne

State
VIC

Sale Date
Sep-20

Rooms
26

Price
$9,000,000

$ Per Room
$346,154

THE FANTAUZZO

Suburb
Brisbane

State
QLD

Sale Date
Sep-20

Rooms
166

Price
$61,000,000*

$ Per Room
$367,470

* Hotel component

RYDGES ON SWANSTON

Suburb
Melbourne

State
VIC

Sale Date
Sep-20

Rooms
107

Price
$35,000,000

$ Per Room
$327,103

Transactions 2020 Calendar Year

VACATION VILLAGE PORT MACQUARIE -HASTINGS

Suburb	State
Port Macquarie	NSW
Sale Date	Rooms
Sep-20	24
Price	$ Per Room
$6,000,000	$250,000

CAPITOL SQUARE HOTEL SYDNEY

Suburb	State
Sydney	NSW
Sale Date	Rooms
Oct-20	94
Price	$ Per Room
$26,000,000	$287,879

NOVOTEL BRISBANE

Suburb	State
Brisbane	QLD
Sale Date	Rooms
Oct-20	296
Price	$ Per Room
$67,900,000	$229,392

THE BELMORE ALL SUITE

Suburb	State
Wollongong	NSW
Sale Date	Rooms
Oct-20	33
Price	$ Per Room
$9,500,000	$287,879

ACCORINVEST AUSTRALIAN HOTEL PORTFOLIO (17 HOTELS)

Suburb	State
Various	Various
Sale Date	Rooms
Nov-20	1797
Price	$ Per Room
$180,000,000	$100,167

RADISSON HOTEL & SUITES

Suburb	State
Sydney	NSW
Sale Date	Rooms
Dec-20	76
Price	$ Per Room
$38,100,000	$501,316

HYDE PARK INN

Suburb	State
Sydney	NSW
Sale Date	Rooms
Dec-20	97
Price	$ Per Room
$71,400,000*	n.a (as bought for redevelopment)

* Hotel component

SIMPSONS OF POTTS POINTS (NOW CLOSED)

Suburb	State
Sydney	NSW
Sale Date	Rooms
Dec-20	12
Price	$ Per Room
$12,500,000	n.a (as bought for conversion)

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AUSTRALIA & NEW ZEALAND

Investment Review

2021